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WC 07-86

# McGUIREWOODS

April 18,2007

#### **VIA COURIER**

Marlene H. Dortch, Secretary Federal Communications Commission Wireline Competition Bureau – CPD - 214 Appls. **P.O.** Box 358145 Pittsburgh, PA 15251-5145

Re: Application of US LEC Communications Inc. and PAETEC Communications, Inc. for Approval to Transfer Assets Consisting of US LEC's Customer Base in Certain States

Dear Ms. Dortch:

Enclosed for filing on behalf of PAETEC Communications, Inc. ("PAETEC") and US LEC Communications Inc. ("US LEC") are an original and six (6) copies of an application for domestic section 214 authority to transfer assets consisting of a portion of US LEC's customer base. The total number of customers involved in the proposed transfer is estimated to be approximately 150. Also enclosed is a completed Fee Remittance Form 159 and a check in the amount of \$965.00, payable to the Federal Communications Commission, which satisfies the filing fee required under line 2.b of section 1.1105 of the Commission's Rules.

Pursuant to section 63.04(b) of the Commission's rules, the applicants submit this filing as a combined international and domestic section 214 transfer of control application ("Combined Application"). The applicants have filed the Combined Application with the International Bureau through MyIBFS.

Respectfully submitted,

Grace R. Chiu

Their Counsel

**Enclosures** 

CC (via email):

William Dever (WCB)

Tracey Wilson (WCB)

George S. Li (IB)

Susan O'Connell (IB)

# **DATE STAMP AND RETURN**

# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of the Application of	FCC/MELLON APR 18 20	.07
US LEC Communications Inc., Transferor,	)	
and	) File No. ITC-T/C-2007	
PAETEC Communications, Inc., Transferee,	) WC Docket No. 07	
,	ý	
Joint Application for Approval to Transfer Assets Consisting of US LEC's	)	
Customer <b>Base</b> in Certain States	)	

### **JOINT APPLICATION**

# I. <u>INTRODUCTION</u>

# A. Summary of Transaction

PAETEC Communications, Inc. ("PAETEC") and US LEC Communications Inc. ("US LEC") (together, "Applicants"), through the undersigned counsel and pursuant to section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214 (the "Act"), and sections 63.04 and 63.24 of the Commission's Rules, 47 C.F.R. §§ 63.04, 63.24, respectfully request approval to transfer assets consisting of a portion of US LEC's customer base. The total number of customers involved in the proposed asset transfer is estimated to be approximately 200. As detailed below, PAETEC and US LEC are affiliated companies, each holding domestic and international section 214 authorization.

# B. Application Eligible for Streamlined Processing

This Application is eligible for streamlined processing pursuant to section 63.03 and 63.12 of the Commission's Rules, 47 C.F.R. §§ 63.03, 63.12. With respect to Applicants' domestic section 214 authority, this Application is eligible for streamlined processing pursuant to section 63.03(b)(2)(i) because, immediately following completion of the customer base transfer: (1) Applicants and their affiliates (as defined in section 3(1) of the Act, hereafter "Affiliates"), will hold less than a ten percent (10%) share of the interstate, interexchange market; (2) Applicants and their Affiliates will provide competitive telephone exchange services or exchange access services only in geographic areas served by a dominant local exchange carrier (none of which is a party to the transaction); and (3) neither Applicant nor any of their respective Affiliates is dominant with respect to any service.

(Response to Question 20) With respect to Applicants' international section 214 authority, this application is eligible for streamlined processing pursuant to section 63.12(a) and (b) because: (1) neither Applicant nor any of their respective Affiliates is affiliated with a foreign carrier in any destination market; and (2) neither Applicant nor any of their respective Affiliates is affiliated with any dominant US. carrier whose services Applicants seek authority to resell.

### II. DESCRIPTION OF THE APPLICANTS

Applicants are affiliated companies and indirect, wholly owned subsidiaries of PAETEC Holding Corp., a publicly traded company (NASDAQ ticker symbol: "PAET") headquartered in Fairport, New York. Though its operating subsidiaries, PAETEC Holding Corp. is an innovative supplier of communications solutions to medium and large businesses and institutions. Exhibit **A**, attached hereto, depicts the corporate structure of PAETEC Holding Corp. and the relationship between Applicants. Additional information about **the** applicants is set forth below.

### A. PAETEC Communications, Ioc. (Transferee)

PAETEC offers personalized solutions that include a comprehensive suite of Voice over Internet Protocol (VoIP) services delivered over its Private-IP MPLS network. With more than 1 million access line equivalents in service, PAETEC serves more than 17,000 core business customers across **the** U.S. by offering a full line of telecommunications and Internet services, enterprise communications management **software**, security solutions, and managed services. PAETEC is a direct subsidiary of PAETEC *Corp*. which, in turn, is a direct, wholly owned subsidiary **of** PAETEC Holding Corp,

# **B.** US LEC Communications Inc. (Transferor)

US LEC provides long distance, enhanced data services, dedicated Internet, and local dial-up Internet access services to customers in **28** states. US LEC is a direct subsidiary of US LEC Corp. which, in turn, is a direct, wholly owned subsidiary of PAETEC Holding Corp.

PAETEC Holding Corp., a holding company, holds no regulatory licenses fronthis or any other regulatory commission. Additional information about PAETEC Holding Corp. may be found by visiting www.PAETEC.com.

### III. DESCRIPTION OF THE TRANSACTION (Response to Ouestion 13)

US LEC is one of several operating subsidiaries of US LEC *Corp*. that became indirect wholly owned subsidiaries of PAETEC Holding Corp. when PAETEC Corp. consummated a merger with US LEC Corp. on February **28**, **2007**. The proposed customer base transfer **is part** of a post-merger plan to integrate certain of the operations of the subsidiaries **of** US LEC *Corp*. and PAETEC Corp.

The proposed customer base transfer involves the subscriber base of US LEC in 27 states: Arizona, Arkansas, California, Colorado, Connecticut, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, North Dakota, **Chio,** Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin, and Wyoming. The total number of customers that will be affected by the proposed transfer is projected to be approximately **250.** In **21** of the 27 states, US LEC **serves** fewer than 10 customers. In **the** remaining six states, US LEC **serves** 50 or fewer customers. The proposed transaction involves only **the** subscribers served in the states identified above, and does not involve the transfer of any other assets of US LEC.

<sup>&</sup>lt;sup>2</sup> PAETEC Corp. and US LEC Corp. were granted domestic and international section 214 authorizations to transfer control of US LEC Corp.'s operating subsidiaries to PAETEC Carp. and, ultimately, PAETEC Holding Corp. See Domestic Section 214 Application Filedfor the Transfer of Control of USLEC Carp. to PAETEC Carp., WC Docket No. 06-171, DA 06-1902 (eff. Oct. 22,2006); Applicationfor consent to transfer control of international section 214 authorization. ITC-214-19970220-00101, held by USLEC of North Carolina Inc., from USLEC Carp. (USLEC). to PAETEC Carp. (PAETEC). a privately held Delaware, ITC-T/C-20060901-00412, Public Notice. Rep. No. TEL-01078, DA 06-2053 (eff. Oct. 13, 2006); Application for consent to transfer control of international section 214 authorization, ITC-214-19970929-00589, held by USLEC of Georgia. Tennessee, Virginia. Florida. S. Carolina, from USLEC Carp. (USLEC). to PAETEC Corp. (PAETEC), aprivately held Delaware corporation, ITC-TIC-20060901-00413, Public Notice, Rep. No. TEL-01078, DA 06-2053 (eff. Oct. 13,2006); Application for consent to transfer control of international section 214 authorization, ITC-214-19990303-00104, held by USLEC Corporation, to PAETEC Carp. (PAETEC), aprivately held Delaware corporation, ITC-T/C-20060901-00414, Public Notice, Rep. No. TEL-01078, DA 06-2053 (eff. Oct. 13,2006).

PAETEC will fully comply with the advance customer notice, certification, and other requirements set forth in section 64.1120(e) of the Commission's rules, 47 C.F.R. § 64.1120(e).

#### IV. PUBLIC INTEREST CONSIDERATIONS

The proposed asset transfer will eliminate certain peripheral operations of US LEC that supported only a handful of customers in each of 27 states. By incorporating this small fraction of US LEC's customer base to that of its sister company, PAETEC, the transfer will improve the efficiency of US LEC while simultaneously ensuring that affected customers continue to receive the benefits of quality telecommunications services and the availability of a comprehensive suite of innovative and advanced service offerings. PAETEC, moreover, has the expertise and incentive to identify and develop significant cross-selling opportunities that will deliver long-term value to these customers.

Following the transfer, PAETEC will continue the provision of service to affected US LEC customers, billing under the PAETEC name, but with no change in the rates or terms and conditions of service as a result of the transfer. Accordingly, the proposed transfer of customer accounts will he transparent to US LEC customers in terms of the services they receive. For the foregoing reasons, grant of this Application will serve the public interest, convenience and necessity.

# V. <u>INFORMATION REOUIRED BY SECTION 63.24(e)</u>

Pursuant to section 63.24(e)(2) of **the** Commission's Rules, 47 C.F.R.§ 63.24(e)(2), Applicants submit the following information required under paragraphs(a) through(d) and (h) through (p) of section 63.18 in support of this Application:

63.18(a) Name, address and telephone number of each Applicant

Transferee: PAETEC Communications, Inc. FRN: 0003744869

One PAETEC Plaza

600 Willowbrook Office Park Fairport, New York 14450

(877) 340-2600

Transferor: US LEC Communications Inc. FRN: 0016369100

Morrocroft III

6801 Morrison Blvd.

Charlotte, North Carolina 28211

(704) 319-1000

63.18(b) Jurisdiction of Organization

Transferee: PAETEC is a corporation organized under the laws of the State of

Delaware.

Transferor: US LEC a corporation organized under the laws of the State of

North Carolina.

63.18(c) (Answer to Question 10)

Correspondence concerning this Application should be sent to:

Tony S. Lee

Grace R. Chiu

McGuireWoods LLP

1050 Connecticut Avenue, N.W., Suite 1200

Washington, D.C. 20036 Tel: (202) 857-1700

Fax: (202) 857-1737

Email: TLee@McGuireWoods.com

GChiu@McGuireWoods.com

63.18(d) (Answerto Question 10)

<u>Transferee</u>: PAETEC holds international section 214 authorization to provide

global facilities-based and/or global resale service (File No. ITC-214-19980925-00658), in addition to blanket domestic section 214

authority.

<u>Transferor</u>: US LEC **holds** international section 214 authorization to provide

global or limited global facilities-based and resale service pursuant to authorization granted in File No. ITC-214-19990303-00104. US

LEC also holds blanket domestic section 214 authority.

# 63.18(h) (Response to Question 11)

#### **Current Ownership of PAETEC:**

• The following persons or entities own or control ten percent (10%) or more of PAETEC:

Name: PAETEC Corp.
Address: One PAETEC Plaza

600 Willowbrook Office Park Fairport, New York 14450

Citizenship: U.S. Equity/Voting Interest: 100%

Principal business: Holding company

• The following persons or entities own or control ten percent (10%) or more of PAETEC Corp.:

Name: PAETEC Holding Corp.
Address: One PAETEC Plaza

600 Willowbrook Office Park Fairport, New York 14450

Citizenship: U.S. Equity/Voting Interest: 100%

Principal business: Holding company

• The following persons or entities own or control ten percent (10%) or more of PAETEC Holding Corp.:

Name: Arunas A. Chesonis Address: c/o PAETEC Corp. One PAETEC Plaza

600 Willowbrook Office Park Fairport, New York 14450

Citizenship: U.S.
Equity/Voting Interest: 10%
Principal business: Individual

• No other person or entity, directly or indirectly, holds a ten percent (10%) or greater equity interest in PAETEC Holding Corp.

#### (Response to Question 12)

PAETEC has no interlocking directorates with a foreign carrier.

- As evidenced by PAETEC's certification provided in Attachment A, hereto, PAETEC is not, and is not affiliated with, a foreign canier.
- 63.18(j) PAETEC certifies that it does not **seek** to provide international services to any destination country for which any **of** the statements set forth in section 63.18(j)(1) through (4) is true.
- **63.18(k)** Not applicable.
- 63.18(l) Not applicable.
- **63.18(m)** Not applicable.
- 63.18(n) PAETEC certifies that it has not agreed to accept special concessions, as defined in section 63.14(b) of the Commission's Rules, directly or indirectly, from any foreign carrier with respect to any U.S. international route where the foreign canier possesses market power on the foreign end of **the** route and will not enter into such agreements in the future.
- 63.18(o) PAETEC certifies that neither it nor any of its affiliates, as that term is defined in the Commission's rules, is subject to a denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853a.
- 63.18(p) (Response to Question 20)

With respect to international authority, this Application is eligible for streamlined processing pursuant to section 63.12 of the Commission's Rules, 47, C.F.R.§ 63.12, because (1) PAETEC is not affiliated with a foreign carrier on any route for which authority is sought; (2) PAETEC is not affiliated with any dominant U.S. carrier whose international switched or private lie services it seeks to resell; and (3) PAETEC is not requesting authority to provide switched service over private lines to countries not previously authorized for service by the Commission.

### VI. INFORMATION REQUIRED BY SECTION 63.04

In lieu of an attachment to this Application, Applicants respectfully submit the following information in support of their request for domestic section **214** authority in order to address the requirements set forth in Commission Rule **63.04(a)(6)-(12)**, 47 C.F.R. § **63.04(a)(6)-(12)**:

(a)(6) A description of the transaction.

A description of the proposed subscriber base transfer is set forth in <u>Section III</u>, above.

(a)(7) A description of the geographic areas and domestic services provided in each area.

<u>Transferee</u>: PAETEC provides resold and/or facilities-based

telecommunications services in 47 states<sup>3</sup> and the District of Columbia. PAETEC serves more than 17,000 core business customers in 29 markets, including Albany, Baltimore, Boston, Buffalo, Chicago, Connecticut, Daytona, Fort Lauderdale/Miami, Long Island, Los Angeles/Orange County, New Hampshire, New Jersey, New York City, Orlando, Philadelphia, Pittsburgh, Rhode Island, Rochester, San Diego, Syracuse, Tampa, Washington D.C.,

and Western Massachusetts.

<u>Transferor</u>: US LEC provides resold long distance, data, frame relay and

Internet access services **in** 27 states: Arizona, Arkansas, California, Colorado, Connecticut, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New

Hampshire, North Dakota, Ohio, Oklahoma, Oregon, **South** Dakota, Texas, Utah, Washington, West Virginia, Wisconsin, and

Wyoming.

**US** LEC also provides the same or similar services plus local exchange services on a facilities and/or resold basis in Indiana, Louisiana, and New York.

PAETEC provides domestic services in all states except Alaska, Hawaii, and Virginia. As a company, PAETEC C is the five in the left of Virginia.

# (a)(8) Eligibility for Streamlined Processing

Applicants respectfully submit that this Application is eligible for streamlined processing pursuant to section 63.03 of the Commission's Rules, 47 C.F.R. § 63.03. In particular, this Application is eligible for streamlined processing pursuant to section 63.03(b)(2)(i) because, immediately following consummation of the transaction: (1) Applicants and their affiliates (as defined in section 3(1) of the Act, hereafter "Affiliates") combined will hold less than a ten percent (10%) share of the interstate, interexchange market; (2) Applicants and their respective Affiliates will provide competitive telephone exchange services or exchange access services only in geographic areas served by dominant local exchange carriers (none of which is a party to the transaction); and (3) neither of the Applicants nor any of their respective Affiliates is dominant with respect to any service.

# (a)(9) Other FCC Applications Related to the Same Transaction

**Through** this Application, Applicants **seek** authority with respect to both international and domestic section 214 authorizations (this Application is being separately and concurrently filed with respect to both types of authorities in compliance with Commission Rule 63.04(b), 47 C.F.R. § 63.04(b)). No other applications **are** being filed with the Commission with respect to the proposed transfer of subscriber base at this time.

# (a)(10) Request for Special Consideration

None requested.

# (a)(11) Waiver Requests

Not applicable

# (a)(12) Statement of Public Interest

A statement showing how grant of the Application will serve the public interest, convenience, and necessity is provided in <u>Section</u> **IV** of this Application.

# VII. CONCLUSION

For the reasons stated above, Applicants respectfully submit that the public interest, convenience, and necessary would be furthered by a grant of this Application for approval to transfer to PAETEC Communications, Inc. the subscriber base of US LEC in the 27 states identified in this Application

Respectfully submitted,

Tony S. Lee

Charle Chiuis LLP

Washington Square

1050 Connecticut Avenue, N.W.

Washington, D.C. 20036

Tel: (202) 857-1700

**Fax:** (202) 857-1737

Email: TLee@McGuireWoods.com

GChiu@McGuireWoods.com

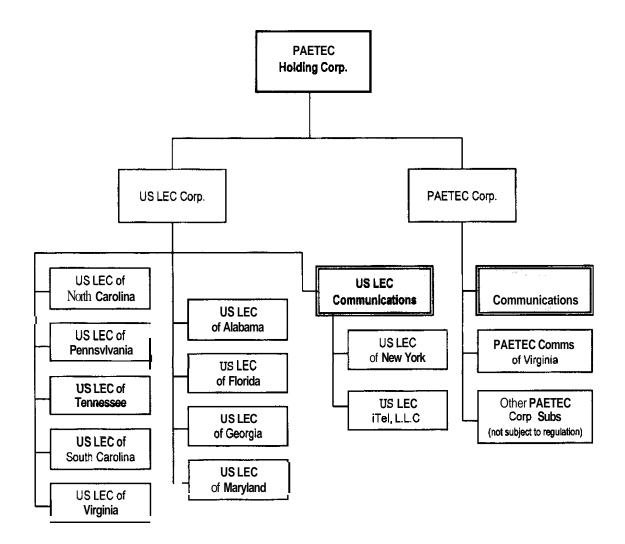
Counsel to

PAETEC Communications, Inc. and

**US** LEC Communications Inc.

Dated: April 18,2007

# Corporate Relationship of Applicants



**CERTIFICATION** 

I, John B. Messenger, hereby certify under penalty of perjury that I am Vice

President and the Assistant Secretary of PAETEC Communications, Inc., the Transferee

in the foregoing application, and that I am authorized to make this certification on behalf

of the Transferee. I further certify that the information in the foregoing application is true

and accurate to the best of my knowledge, and that no party to the application is subject

to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of

1988, 21 U.S.C. § 862.

John B. Messenger

Vice President and Assistant Secretary

PAETEC Communications, Inc.

Dated: April 10,2007

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